



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

September 21, 1977

PROJECT MATCH OPERATING PLAN

A Nationwide Program to Expose
Employees on the Federal Payroll
Who Are Illegally Receiving AFDC Payments

This paper and its attachments describe the Project Match operating plan. It establishes (1) the controls we plan to maintain over the employee data during the investigation to prevent premature or unwarranted disclosure of names of individuals, and (2) the criteria for application of reasonably uniform and equitable sanctions, both criminal and administrative, to those found ineligible as a result of fraud or error on their part.

A. THE IMPORTANCE AND URGENCY OF PROJECT MATCH

- . Our Departmental experts who measure "error rates" in the AFDC Program advise us that about one-third of AFDC errors are attributable to direct fraud resulting from:
 - Misreported or non-reported income.
 - Alleged absence of a father who is actually in the home and has income and medical insurance.
 - Alleged children who are either non-existent or no longer in the home.
- . If the above contention of direct fraud is correct, it suggests a loss of several hundred million dollars annually attributable to fraud in AFDC programs, and other programs directly affected, namely, Medicaid and Food Stamps.
- . The location of fraudulent cases by the current process of sampling does not quickly or comprehensively pinpoint cases requiring action.
- . Well documented experience now demonstrates that a procedure of matching payrolls against welfare rolls by computer is one

- 2 -

technique for quickly isolating cases warranting intensive investigation. This has been established in recent months by matches of certain public payrolls in Michigan (principally Wayne County), New York City (principally the Bronx), Chicago (principally Cook County), and by our current work in the District of Columbia, using the HEW payroll tapes.

- . In every locality tested, a number of cases of ineligibility, and some cases of direct fraud by Federal employees have been established. Most have readily acknowledged the facts when confronted with the evidence. U.S. Attorneys have found such cases simple to prosecute. State welfare agencies perform most of the case file research and are eager for such leads because of the significant payback.
- . For example, in Michigan the cost to complete a case file review and investigation of 412 cases of alleged welfare fraud was about \$75,000. The net reduction in AFDC grants was \$121,000 per month. Hence, three weeks' savings repaid the State its full cost for the investigation.
- . The major lesson we have learned is that computerized payrolls--which are now generally available in Federal, State, and local governments and in large organizations--can be readily matched against welfare rolls using simple identifiers--name, address, birth date, and social security number. Our goal is to encourage the States to learn how to do this and to do it periodically.
- . We believe an effective way to do this is to take advantage of the availability of the master tape of 2.8 million Federal employees* which was obtained from the Civil Service Commission. On July 29, 1977, the General Counsel of the Commission ruled that it was legal to provide us access to the Civil Service Commission tape for this purpose. We have consummated a Memorandum of Understanding with the Commission which sets forth the safeguards we will apply in the use of these tapes (Attachment 1).
- . We are also negotiating with the Secretary of Defense to obtain access to active duty military payroll tapes. If this proves to be the case, we will be able to match welfare rolls against about 1.5 million military employees on duty in the United States.
- . We have had preliminary contacts through our regional offices with the States and obtained a nomination from each as to the

* Including Postal Service.

- 3 -

preferred localities for matching. Two models are being considered (Attachment 2):

- Under "Model 1" the match will be performed in 20 localities--including at least one major urban area in each HEW region. These localities represent about one-third of both Federal employment and the AFDC population.
- Under "Model 2" we would select one or more sites in each State, thus covering 40 percent of Federal employment and over 50 percent of the AFDC population.

Our present view is that we should start with Model 1 and later extend coverage to the other sites in Model 2 if results justify--or to do so selectively, depending on State interest.

B. THE STEP-BY-STEP PLAN FOR OPERATION OF PROJECT MATCH

- . At Attachment 3 is a flow chart showing the 11 principal action steps involved in Project Match.
- . At the national level, the Inspector General or the Deputy Inspector General will personally approve each key HEW action required. Mr. Mark Richard, Chief of the Criminal Fraud Section of the Department of Justice, has been similarly designated by the Attorney General; Mr. Ray Jacobson, Executive Director of the Civil Service Commission has been so designated by the Chairman. A comparable official from the Department of Defense should be so designated.
- . With the above arrangements for oversight, the step-by-step procedure is as follows (Attachment 3):

Step 1 - Acquisition of Data Files. These are computer tapes from (1) Civil Service Commission (Attachment 1); (2) DoD; and (3) State welfare agencies (Attachment 2).

Senior members of the HEW Audit Agency at Washington headquarters who are now conducting the DC/MD tests will be responsible personally for acquiring and controlling the Civil Service Commission master tape, and the Department of Defense tapes. In each of our regional offices, the Regional Audit Director will personally (or through one of his senior staff designated by name) be responsible for obtaining

- 4 -

and transmitting to Washington by registered mail, the State welfare tapes which will be used for matching purposes.

Step 2 - Computer Processing. HEW Audit Agency, Washington, will conduct the computer matching on HEW equipment. We will set up a series of time schedules so that tapes will be furnished to us by the regions under the Model 1 plan in convenient batches--perhaps five jurisdictions per batch.

Step 3, 4 - Raw Matches. The raw printouts will reveal the names of employees who appear on the welfare rolls and identify agency, birth date, pay grade, and social security number. These printouts will be grouped separately by employer agency and will be delivered by the Audit Agency to the designated senior agency officials. In this fashion, maximum security of the printouts and employee identification will be maintained. (AA will retain a copy.)

. If the employer agency check reveals that the individual has not been employed in that agency (i.e., an error), the name will then be permanently stricken from the printout. If the employee is on the agency roll, the printout will be annotated to show:

-- Date of employment.

-- Date of termination.

-- W-2 earnings for calendar years 1974-1975-1976.

. The employer agency will keep one copy of the printout showing the data outlined above and return the original to HEW Audit Agency, Washington--for delivery via the HEW Regional Audit Director to the State agency concerned (where a senior official will be designated).

Step 5 - State Agency Analysis. This may prove to be the most time-consuming step or at least the step that requires the most staff effort to accomplish. It is also the most critical.

- 5 -

This step will require a review of the case file to establish:

- Whether the individual has received a welfare grant. If not, the name will be stricken permanently from the printout.
- The period of time, and amount of money which has been received.
- The entitlement of the individual to all or any part of the grant based on the data furnished by the employer agency. If the individual is fully eligible, his name will be stricken permanently from the record and the appropriate adjustment made.

Step 6 - Valid Matches. As discussed in Section C below, cases will be divided at this point by the State agency into three groups: (1) military members that qualify for administrative or criminal sanctions; (2) civilians that are subject to criminal prosecution; (3) civilians that are subject to administrative action. The HEW Audit Agency will monitor the above and deliver the data to steps 7 and 8.

Step 7 - Military. This is clearly the full responsibility of the Department of Defense, except for removal from the welfare rolls, which will be done by the State agency. (Further discussion required with DoD.)

Step 8 - Potential Prosecution. Before any action is taken on these cases, the HEW Investigator-in-Charge of the Region, or his designee, will review the cases so selected to confirm that they fall under the guidelines for prosecution. (Discussed in Section C.) If there are questions, these will be resolved by direct communication with the senior representative of the Justice Department in Washington. Those that continue as potential for prosecution will then be delivered to the U.S. Attorney or his designated representative who will obtain the assistance of the FBI in completing the investigation, including all necessary interviews and the preparation of the case for prosecution (8b).

- 6 -

- . The U.S. Attorney will decide when the employee concerned is to be removed from the welfare roll, and advise the State agency when it is appropriate to do so (8d). The HEW Regional Audit Director will (1) obtain the information after prosecution, (2) advise HEW headquarters of actions taken, and (3) refer the case to the employer agency senior official for administrative action.

Step 9 - Administrative Action. All cases which fall in this category will be removed from the welfare rolls by the State agency with the employee being advised by the State agency (9a). The State agency then advises the senior official of the employer agency of the action taken (9b). This Federal official will be responsible for coordinating all administrative actions taken by his agency (9c) and will advise the HEW Audit Agency headquarters of final action taken (9d).

Step 10 - HEW Inspector General Prepares Progress and Final Reports, by Jurisdiction, for Key Officials Concerned and the Congress.

Step 11 - Permanent Records are Maintained by the OIG, except that the original computer tapes furnished by the CSC and the DoD will be destroyed or returned if desired. Some States may wish copies of their welfare tapes returned.

C. CRITERIA FOR PROSECUTION OR ADMINISTRATIVE ACTION

A work group has formulated the following criteria:

1. The national objective will be to criminally prosecute, subject to local variation where reflective of district conditions, cases with the following characteristics:
 - a. Where the recipient is totally ineligible;
 - b. The amount of loss is in excess of \$2,000 in one year; and
 - c. The annual salary of the employee is in excess of \$10,000. (This should be a minimum level, absent extraordinary circumstances such as the presence of a conspiracy or cumulative claims.)

- 7 -

Normal prosecutive considerations relating to advanced age, terminal or debilitating illness and the like will continue to be treated by the United States Attorney as relevant factors.

2. Administrative Actions.

- a. With respect to those who are prosecuted and convicted, the group arrived at the following conclusions:

(i) Employees Prosecuted and Convicted

- (a) Whether removal should follow from conviction of a Federal employee is a matter within the discretion of each employer agency. In deciding whether or not to propose removal, the agency should, in the context of normally applicable standards and procedures, take into consideration the following factors:

- . Whether there is a rational nexus between the conviction and the employee's ability to perform the duties of his office;
- . The nature and extent of the fraud perpetrated;
- . The effect of conviction upon required security clearances;
- . Whether the employee worked in the public assistance program from which he fraudulently obtained benefits; and
- . Whether alternative sanctions would sufficiently protect the agency and insure public confidence in the integrity of the Government, while minimizing the risk that the employee and his family would be relegated to the public assistance rolls.

Of course, incarceration which prevents the employee from performing his duties will call for removal.

- 8 -

(b) The timing of any administrative action will be controlled by the Department of Justice with permission to take such action before conviction being considered on an individual basis.

(2) Employees Not Prosecuted or Prosecuted but Acquitted

(a) As above, removal (as well as demotion or suspension for more than thirty days) is a sanction to be applied within the discretion of the employer agency.

(b) With respect to sanctions less than adverse action:

- . A mere reprimand would be insufficiently severe.
- . The employer agency should consider a suspension of between five and thirty days, depending on:
 - The nature of the violation, including, for example, whether the employee was on the benefit rolls prior to employment and failed to correct his record or was employed and then applied for benefits;
 - The amount obtained;
 - The position held by the employee; and
 - The duration of the fraud.
- . Consideration should be given to permitting the employee to serve any suspension on an intermittent basis.

(3) Restitution

(a) Arrangements should be made with all employees retained on the agency rolls, whether prosecuted

- 9 -

or not, to secure restitution of all benefits fraudulently obtained at a rate which the employee is reasonably able to bear.

- (b) Where restitution is not made part of the sentence imposed on an employee who is convicted and in all cases where the employee is not prosecuted or prosecuted and acquitted, willingness to make restitution should be taken into consideration in determining the severity of the disciplinary sanction imposed.
- (c) Restitution should include the total amount of benefits obtained from both State and Federal sources. (Arrangements will be made for the transmittal to the appropriate State agency of its share of recovered funds.)
- (d) When an employee is dismissed, recoupment of benefits fraudulently received should be sought through all appropriate means, including deduction from retirement funds where permitted.
- (e) Where the employee challenges the computation of benefits received, appropriate administrative process should be available to adjudicate the proper amount to be restored.

CONCLUSION

The Civil Service Commission feels that a decision to allow use of their master tape for matching against Food Stamp (Agriculture) and Unemployment Benefit (Labor) rolls will require guidance from the Department of Justice. This is now in process. If Justice cannot provide clearances for the matching of Agriculture and Labor records, the project will continue with the matching of welfare rolls only.

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UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

August 18, 1977

IN REPLY PLEASE REFER TO

YOUR REFERENCE

Honorable Joseph A. Califano, Jr.
Secretary of Health, Education and
Welfare
Washington, D. C. 20201

Dear Mr. Secretary:

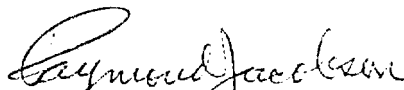
I have signed the enclosed Memorandum of Understanding which details the agreements, procedures, and safeguards for providing certain data from the Commission's Central Personnel Data File to the Department of Health, Education and Welfare for use in Project Match. The last sentence of the first paragraph has been modified slightly, as discussed with your Inspector General's staff, to more clearly reflect the responsibilities and authorities for actions in the event of suspected fraud or abuse. If Mr. Morris could sign and return this modified Memorandum, we will be able to complete our files on this subject. The data will be provided in the near future in the format and manner agreed to by our respective staffs.

I appreciate your understanding and shared concern for the safeguarding of the employee data we are providing to prevent any unwarranted invasion of personal privacy. Based on my discussions with your Inspector General and his staff, I am confident that employee rights will be adequately protected.

I am pleased that we have been able to assist you in this undertaking and if there is further assistance that we can provide, please do not hesitate to contact me.

By direction of the Commission:

Sincerely yours,


Raymond Jacobson
Executive Director

Enclosure

Memorandum of Understanding Between the Department
of Health, Education and Welfare and the U.S. Civil
Service Commission

1. The Inspector General of the Department of Health, Education and Welfare (HEW) is authorized under the provisions of Public Law 94-505, section 205 (a)(2)... "To request such information and assistance as may be necessary for carrying out the duties and responsibilities provided by this Act from any Federal, State or local government agency or unit thereof." As part of a continuing program to detect and prevent fraud and abuse of HEW programs, he has initiated a special nation-wide effort to identify situations of abuse or fraud involving Federal employees for referral to the Department of Justice and employing agencies for consideration of appropriate criminal and administrative actions.
2. To assist in this comprehensive effort, the Civil Service Commission (CSC) will provide HEW certain data in automated format on Federal civilian employees from the Commission's Central Personnel Data File (CPDF). These data include the employee's name, Social Security Number and date of birth, and other public information data identifying the employee's status (active/inactive), pay, and duty station. This information is being released to HEW for the specific use stated below under the provisions of the Privacy Act (5 USC 552a), specifically section (b) (2), and the Commission's Notice of Systems of Records, 42 FR 42164, for the CSC/GOVT-3 System which includes the CPDF.
3. HEW will safeguard this information to prevent unauthorized disclosure and will use it only to match against appropriate HEW benefit files (Aid to Families with Dependent Children (AFDC) and Medicaid, where necessary) to identify Federal employees receiving benefit payments. No use will be made of any records provided by the Commission which do not match HEW benefit files. For those records that do match, no adverse determinations will be made on the basis of this match alone, but rather, matches will be used as an indicator for more thorough review and investigation under applicable statutes. Throughout the process, the employee's right to privacy and due process shall be upheld. At the conclusion of the file matching, HEW will destroy, through a degaussing process, the data provided by the Commission to eliminate the possibility of unauthorized use. Notification of such action will be provided the Commission's point of contact.
4. This memorandum is construed to cover the initial release of data to HEW and any subsequent release of the same type of information for the same purpose. Subsequent release will be requested by a HEW letter to the undersigned outlining the specific requirements.

HEW letter to the undersigned outlining the specific requirements. If future requirements should add data elements or change the use intended or the means of handling and safeguarding the data, those requirements and changes will require separate justification and specific modification to this memorandum.

5. Dr. Philip A. D. Schneider, Associate Director for Workforce Information, Bureau of Manpower Information Systems is the Commission's point of contact for all matters pertaining to this memorandum. Similarly, Mr. Ladd Hamilton, Office of the Inspector General, Office of the Secretary, is designated as HEW's contact.

ACTION:

Approved

Raymond Jacobson 8/8/77
Raymond Jacobson
Executive Director
U.S. Civil Service Commission

Thomas D. Morris 8/19/77
Thomas D. Morris
Inspector General
Department of Health, Education
and Welfare

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PROJECT MATCH
LIST OF PRIMARY SITES

	HEW Region	City/County/State	AFDC Population ¹	Federal Employees ²
1	II	New York City	832,397	88,685
2	IX	Los Angeles	587,216	65,994
3	V	Chicago (Cook County)	583,462	57,814
4	V	Detroit (Wayne County)	293,101	17,924
5	III	Philadelphia	266,144	51,310
6	III	Baltimore City	134,845	15,952
7	V	Cleveland (Cuyahoga County)	131,127	19,882
8	II	Newark (Essex County)	117,934	10,854
9	III	District of Columbia	102,344	204,729
10	I	Boston (Entire State)	100,039	23,809
11	VII	St. Louis	89,463	22,597
12	IX	San Diego	83,178	34,031
13	VII	Kansas City (Jackson, Platte, Clay and Wyandotte Counties)	71,284	22,741
14	IV	Atlanta (Fulton County)	62,790	18,196
15	IX	Sacramento	57,948	24,412
16	VIII	Denver (Adams, Arapahoe, Boulder, Denver and Jefferson Counties- Entire State)	57,406	32,232
17	VI	Dallas/Fort Worth (Dallas and Tarrant Counties)	55,046	26,896
18	IX	San Francisco	52,924	27,240
19	VI	San Antonio (Bexar County)	45,956	36,224
20	X	Seattle (King County)	43,497	17,359
		Total AFDC Population in Sites	3,768,101	
		Total AFDC Population- Nationwide Proportion	11,451,952 33%	
		Total Federal Employees in Sites	818,881	
		Total U.S. Federal Employees Proportion	2,716,781 30%	

¹ AFDC Population Data from February, 1976- NCSS Report A-8, Social and Rehabilitation Service, July, 1976

² Federal Employment Data from December, 1976- U.S. Civil Service Commission, Unpublished Data

PROJECT MATCH
LIST OF SECONDARY SITES

	HEW Region	State	City/County	AFDC Population ¹	Federal Employees ²
1	IV	Alabama	Birmingham (Jefferson County)	29,233	8,195
2	X	Alaska	Entire State	10,121	15,844
3	IX	Arizona	Phoenix (Maricopa County)	29,862	12,136
4	VI	Arkansas	Little Rock (Pulaski County)	19,761	7,414
5	IX	California	Los Angeles*	587,216	65,994
			San Francisco*	52,924	27,240
			San Diego*	83,178	34,031
			Sacramento*	57,948	24,412
6	VIII	Colorado	Denver (Adams, Arapahoe, Boulder, Denver and Jefferson Counties- Entire State)*	57,406 (99,457)	32,232 (48,633)
7	I	Connecticut	Entire State	134,144	20,765
8	III	Delaware	Entire State	31,432	5,170
9	III	District of Columbia	Entire State *		
10	IV	Florida	Miami (Dade County)	102,344	204,729
11	IV	Georgia	Atlanta (Fulton County)*	41,847	13,865
12	IX	Hawaii	Honolulu	62,790	18,196
13	X	Idaho	Entire State	41,757	23,892
14	V	Illinois	Chicago (Cook County)*	19,892	10,320
			East St. Louis (St. Clair County)	583,462	57,814
15	V	Indiana	Indianapolis (Marion County)	42,917	3,847
16	VII	Iowa	Des Moines (Entire State)	42,208 (96,080)	15,826 (19,145)
17.	VII	Kansas	Kansas City (Wyandotte County) Junction City (Geary County) Wichita (Sedgwick County) Fort Leavenworth (Leavenworth County) (Entire State)	37,965 (77,955)	11,382 (22,944)
18.	IV	Kentucky	Louisville (Jefferson County)	52,442	8,256
19.	VI	Louisiana	New Orleans (Orleans County)	63,775	13,559
20.	I	Maine	Entire State	65,962	9,257
21.	III	Maryland	Baltimore*	134,845	15,952
22.	I	Massachusetts	Boston* (Entire State)	100,039 (361,768)	23,809 (57,632)
23.	V	Michigan	Detroit (Wayne County)*	293,101	17,924
24.	V	Minnesota	Hennepin County (St. Paul - Minneapolis)	44,366	10,654
25.	IV	Mississippi	Biloxi (Harrison County)	5,398	6,215
26.	VII	Missouri	Kansas City (Jackson, Platte and Clay Counties)* St. Louis*	54,184 89,463	21,093 22,597
27.	VIII	Montana	Entire State	18,905	12,309
28.	VII	Nebraska	Lincoln/Omaha (Lancaster, Douglas and Sarpy Counties) (Entire State)	24,303 (36,346)	10,368 (15,703)

29.	IX	Nevada	Reno (Washoe County)	2,263	2,260
30.	I	New Hampshire	Entire State	26,882	13,348
31.	II	New Jersey	Newark* (Essex County)	117,934	10,854
32.	VI	New Mexico	Albuquerque (Bernalillo County)	18,167	11,208
33.	II	New York	New York City*	832,397	88,685
34.	IV	North Carolina	Raleigh / Durham (Wake and Durham Counties)	18,990	6,257
35.	VIII	North Dakota	Entire State	13,717	8,917
36.	V	Ohio	Cleveland (Cuyahoga County)*	131,127	19,882
37.	VI	Oklahoma	Oklahoma City	22,346	23,300
38.	X	Oregon	Entire State	113,818	25,904
39.	III	Pennsylvania	Philadelphia* Pittsburgh (Allegheny County)	266,144 85,940	51,310 16,066
40.	I	Rhode Island	Entire State	54,811	9,658
41.	IV	South Carolina	Charleston	16,143	15,123
42.	VIII	South Dakota	Entire State	25,239	10,804
43.	IV	Tennessee	Memphis (Shelby County)	78,377	14,748
44.	VI	Texas	Dallas-Forth Worth (Dallas and Tarrant Counties)* San Antonio, (Bexar County) * Houston (Harris County) El Paso	55,046 45,956 56,467 8,797	26,896 36,229 17,870 7,207
45.	VIII	Utah	Entire State	37,494	35,078
46.	I	Vermont	Entire State	25,179	4,333
47.	III	Virginia	Tidewater Area- Cities of Norfolk, Newport News, Portsmouth, Virginia Beach, Cheseapeake, Hampton and Suffolk	60,817	45,747
48.	X	Washington	Seattle (King County)* (Entire State)	43,497 (151,631)	17,359 (57,688)
49.	III	West Virginia	Kanawha County Cabell County	6,917 4,237	1,681 1,762
50.	V	Wisconsin	Milwaukee County	72,827	6,107
51.	VIII	Wyoming	Entire State	6,604	6,301

Total AFDC Population in Sites 5,823,350
Total AFDC Population - Nation- 11,451,952
wide Proportion 51%

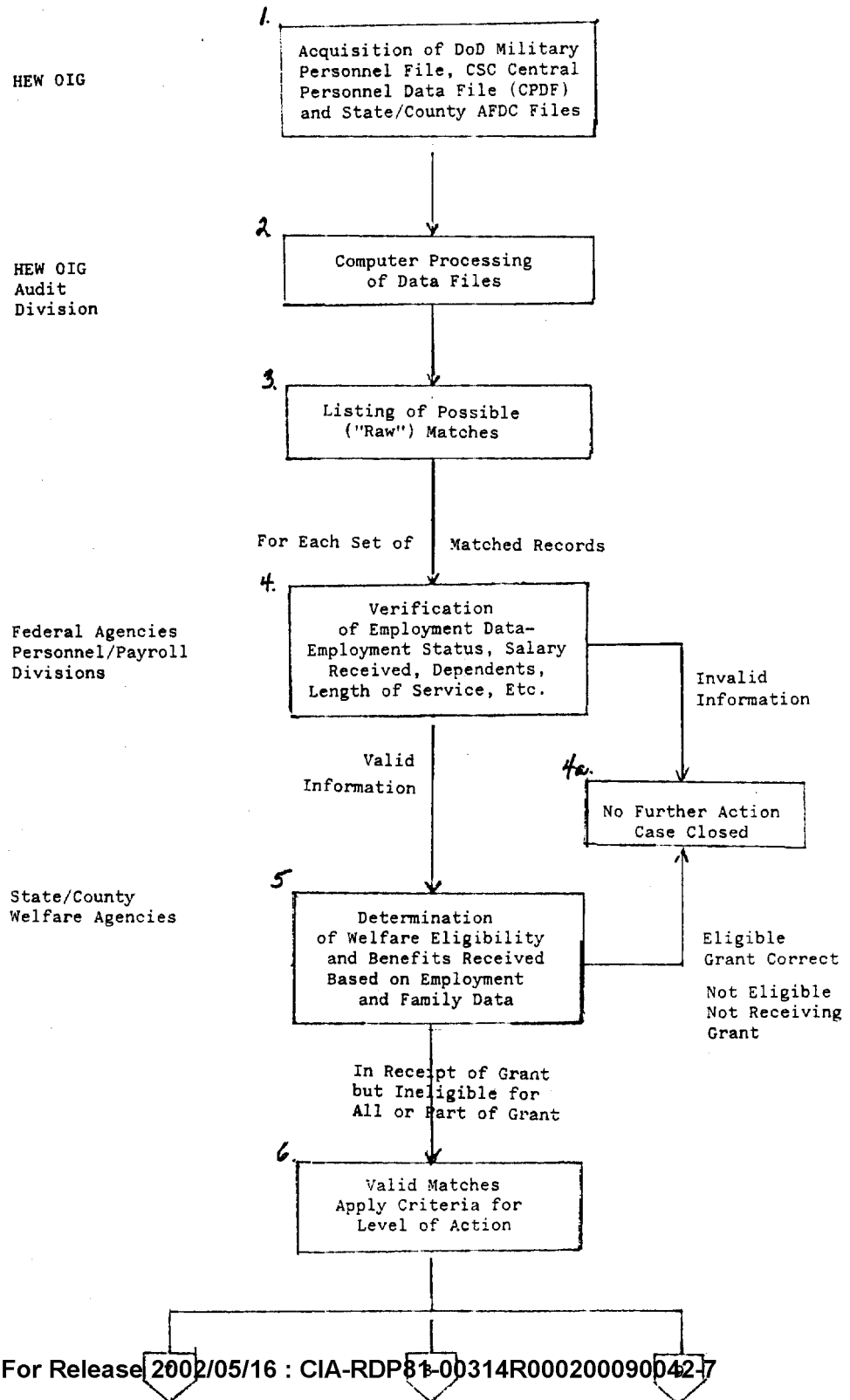
Total Federal Employees in Sites 1,080,079
Total U.S. Federal Employees 2,716,781
Proportion 40%

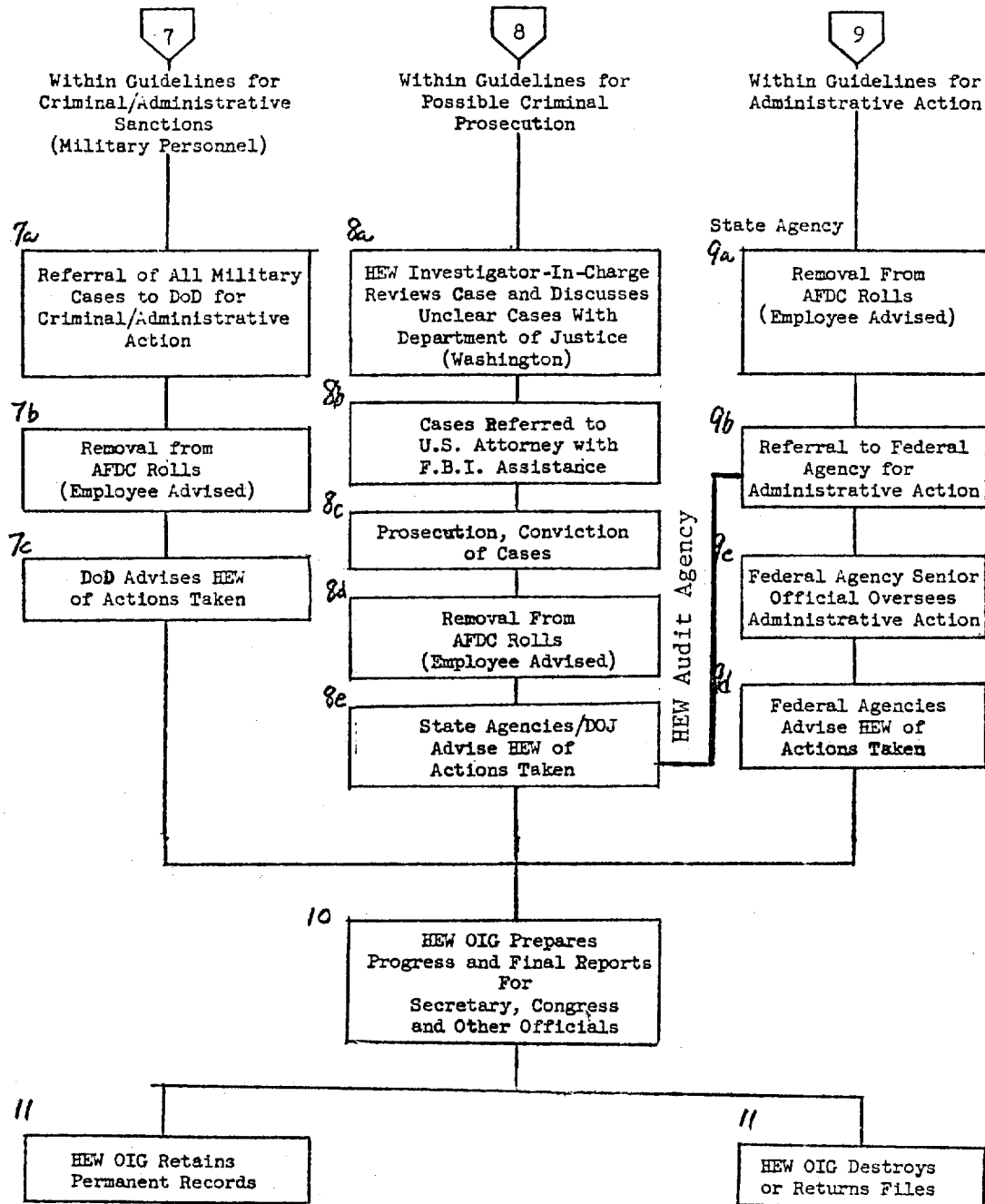
* Primary Site

¹ AFDC Population Data from February, 1976 - NCSS Report A-8, Social and Rehabilitation Service, July, 1976

² Federal Employment Data from December, 1976 - U.S. Civil Service Commission, Unpublished
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PROJECT MATCH
SYSTEM FLOW CHART





PROPOSED ORGANIZATION

PROJECT MATCH

